



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

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August 20, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **LOS ANGELES UNIFIED SCHOOL DISTRICT CONTRACT REVIEW – A
DEPARTMENT OF PUBLIC SOCIAL SERVICES CALWORKs ADULT
AND CAREER EDUCATION PROGRAM PROVIDER**

We have conducted a program and fiscal review of Los Angeles Unified School District (LAUSD or Agency), a Department of Public Social Services (DPSS) CalWORKs Adult and Career Education Program (CalWORKs) provider.

Background

DPSS contracts with LAUSD, a public education institution, to provide and operate the CalWORKs Adult and Career Education Program. LAUSD provides out-of-classroom coordination services at various school sites. The services entail the return of required documentation and the necessary communication between LAUSD and DPSS staff to ensure that CalWORKs participants are enrolled in an academic/vocational training program according to their Welfare-to-Work employment plans. The Agency provided services to residents of all Supervisorial Districts.

LAUSD is compensated on a cost reimbursement basis. LAUSD was paid approximately \$1 million during Fiscal Year 2007-08.

Purpose/Methodology

The purpose of our review was to determine whether LAUSD complied with the contract terms and appropriately accounted for and spent CalWORKs Adult and Career

Education Program funds in providing the services outlined in their County contract. We also evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines. In addition, we also interviewed a number of the Agency's staff and clients.

Results of Review

The Agency's staff possessed the appropriate qualifications, and the program participants interviewed stated that the services received from LAUSD met their expectations. However, LAUSD did not always comply with the County contract requirements and overbilled DPSS \$20,527 in unsupported expenditures. Specifically, LAUSD:

- Overbilled DPSS \$18,952 in unsupported program expenditures.
- Overbilled DPSS \$1,575 in unsupported and unallowable payroll expenditures.
- Did not ensure that participants' case files adequately support the services provided.
- Did not complete monthly bank reconciliations within the required timeframes and ensure that the reconciliations were appropriately reviewed by management.
- Did not deposit cash receipts within the required timeframes.
- Did not submit quarterly invoice reconciliations within the required timeframes.

We have attached the details of our review along with recommendations for corrective action.

Review of Report

We discussed our report with LAUSD on June 16, 2009. In their attached response, LAUSD's management concurred with our findings and agreed to repay DPSS the \$20,527 in unsupported expenditures. We notified DPSS of the results of our review. DPSS indicated that LAUSD repaid DPSS \$20,527 for the unsupported expenditures noted in our review.

We thank LAUSD for their cooperation and assistance during this review. Please call me if you have any questions or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:AA

Attachment

c: William T Fujioka, Chief Executive Officer
Philip L. Browning, Director, Department of Public Social Services
Ramon C. Cortines, Superintendent, LAUSD
Isabel Vasquez, Career Technical Education Director, LAUSD
Public Information Office
Audit Committee

**CALWORKs DIVISION OF ADULT AND CAREER EDUCATION PROGRAM
LOS ANGELES UNIFIED SCHOOL DISTRICT
FISCAL YEAR 2007-08**

ELIGIBILITY

Objective

Determine whether the Los Angeles Unified School District (LAUSD or Agency) provided services to individuals that met the eligibility requirements of the CalWORKs Adult and Career Education Program (CalWORKs).

Verification

We reviewed the case files for 40 (6%) of the 679 program participants that received services from November 2007 through January 2008 for documentation to confirm their eligibility for services.

Results

All 40 program participants met the eligibility requirements for the CalWORKs Adult and Career Education Program.

Recommendation

None.

PROGRAM SERVICES

Objective

Determine whether LAUSD provided the services in accordance with the County contract and CalWORKs guidelines. In addition, determine whether the program participants received the billed services.

Verification

We reviewed the documentation contained in the case files for 40 program participants that received services from November 2007 through January 2008. We also interviewed five participants.

Results

The program participants interviewed stated that the services they received from LAUSD met their expectations. However, LAUSD did not maintain adequate documentation in 15 (38%) of the 40 case files reviewed to support the services

provided. Specifically, the case files did not contain documentation of the participants' qualifications for entry into the vocational/training programs, the length of time the Agency provided services to the participants, and/or a plan for the completion of the vocational/training programs. Our prior review also noted that LAUSD did not always ensure that participants' case files adequately support the services provided.

Recommendation

1. LAUSD management ensure that participants' case files adequately support the services provided.

STAFFING QUALIFICATIONS**Objective**

Determine whether LAUSD staff possessed the qualifications required by the County contract.

Verification

We reviewed the personnel files of six employees for documentation to confirm staff qualifications.

Results

LAUSD's employees possessed the employment eligibility verification, training, reading, writing, and language requirements identified in the contract.

Recommendation

None.

PERFORMANCE OUTCOMES**Objective**

Determine whether LAUSD met the planned performance measures as outlined in the County contract and reported the performance outcomes to the Department of Public Social Services (DPSS). The performance outcomes included measuring participants' attendance, progress, and completion of the vocational/training programs. The performance outcomes also included a 90% participant satisfaction rate with the services provided.

Verification

We reviewed LAUSD's performance outcome report and reviewed the results of 10 participant surveys conducted by DPSS.

Results

LAUSD's performance outcome reports included all the required information and the participants were satisfied with the services provided.

Recommendation

None.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's financial records and deposited timely in their bank account. In addition, determine whether the Agency maintained adequate controls over cash.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed the Agency's bank reconciliations from November 2007 through January 2008.

Results

LAUSD appropriately recorded revenue. However, LAUSD did not maintain sufficient internal controls over its cash handling procedures. Specifically, LAUSD did not:

- Prepare bank reconciliations during Fiscal Year (FY) 2007-08. The County contract requires the Agency to prepare monthly bank reconciliations within thirty days and requires the reconciliations to be reviewed and approved by management.
- Deposit County payments timely. We noted that the December 2007 County warrant was deposited 29 days after the date of the warrant. The County contract requires that cash receipts be deposited within one day of receipt.

Recommendations

LAUSD management ensure:

2. **Bank reconciliations are prepared within the required timeframes and are appropriately reviewed and approved by management.**

3. Cash receipts are deposited within the required timeframes.

EXPENDITURES/PROCUREMENT

Objective

Determine whether program related expenditures are allowable under the County contract, properly documented, and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and other documentation for four non-payroll expenditures totaling \$2,537 billed by the Agency from November 2007 through January 2008.

Results

LAUSD's expenditures were allowable, properly documented and accurately billed.

Recommendation

None.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

Objective

Determine whether the Agency maintained sufficient controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, and conducted on-site visits.

Results

Generally, LAUSD maintained sufficient internal controls over its business operations. However, the Agency did not submit quarterly invoice reconciliations within the required timeframes. Specifically, LAUSD submitted two reconciliations 109 days and 17 days late, respectively.

Recommendation

4. LAUSD management ensure that quarterly invoice reconciliations are submitted to DPSS within the required timeframes.

FIXED ASSETS AND EQUIPMENT**Objective**

Determine whether LAUSD's fixed assets and equipment purchases made with CalWORKs funds are used for the CalWORKs Program and are safeguarded.

We did not perform testwork in this section as LAUSD did not use CalWORKs funding to purchase fixed assets or equipment.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures are appropriately charged to the CalWORKs Program. In addition, determine whether the Agency obtained criminal record clearances and verified employment eligibility for the staff assigned to the CalWORKs Program.

Verification

We traced the payroll expenditures invoiced for six employees totaling \$17,051 for January 2008 to the Agency's payroll records and time reports. We also interviewed staff and reviewed six personnel files for staff assigned to the CalWORKs Program.

Results

LAUSD maintained personnel files in accordance with the County contract and obtained criminal record clearances for staff assigned to the CalWORKs Program. However, LAUSD billed DPSS \$1,575 in unsupported and unallowable payroll expenditures for four (67%) of the six employees reviewed. Specifically, we noted:

- The hours billed exceeded the hours recorded on one employee's timecard by 40 hours resulting in a \$1,457 overpayment. The Agency billed 100% of the employee's hours worked to DPSS even though the employee worked on multiple programs.
- The hours worked for three employees were billed at the wrong rate resulting in a \$118 overpayment.

Recommendations**LAUSD Management:**

5. Repay DPSS \$1,575 (\$1,457 + \$118).
6. Ensure that payroll expenditures charged to DPSS are supported and based on actual costs.

COST ALLOCATION PLAN**Objective**

Determine whether LAUSD's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program costs.

Verification

We reviewed the Cost Allocation Plan and reviewed a sample of expenditures incurred by LAUSD from November 2007 through January 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

LAUSD's Cost Allocation Plan was prepared in compliance with the County contract and the costs were appropriately allocated.

Recommendation

None.

CLOSE-OUT REVIEW**Objective**

Determine whether LAUSD's FY 2006-07 final close-out invoices reconciled to the Agency's financial accounting records.

Verification

We traced LAUSD's FY 2006-07 invoices to the Agency's financial accounting records.

Results

LAUSD's final close-out invoices did not reconcile to the Agency's financial records for FY 2006-07. The Agency's financial records included \$18,952 in unsupported expenditures carried over from FY 2005-06 to FY 2006-07.

Recommendations**LAUSD Management:**

7. Repay DPSS \$18,952.
8. Ensure that adequate documentation is maintained to support the program expenditures.

PRIOR YEAR FOLLOW-UP**Objective**

Determine the status of the recommendations reported in the Auditor-Controller's prior monitoring review.

Verification

We verified whether the outstanding recommendations from the FY 2006-07 monitoring report were implemented. The report was issued on February 6, 2008.

Results

The prior year monitoring report contained one recommendation. As previously indicated, the finding related to recommendation 1 in this report was also noted during the prior monitoring review.

Recommendation

9. LAUSD management implement the outstanding recommendation from the FY 2006-07 report.



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ANDRES AMEIGUEIRAS
ADMINISTRATOR

July 16, 2009

Ms. Wendy L. Watanabe, Auditor-Controller
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Department of Auditor-Controller
500 West Temple Street, Room 525
Los Angeles, CA 90012-3873

**SUBJECT: LOS ANGELES UNIFIED SCHOOL DISTRICT CONTRACT REVIEW-A
DEPARTMENT OF PUBLIC SOCIAL SERVICES CALWORKs ADULT
AND CAREER EDUCATION PROGRAM PROVIDER**

Dear Ms. Watanabe:

This is our response to the findings of your auditors in the program and fiscal review of Los Angeles Unified School District (LAUSD), a Department of Public Social Services (DPSS) CaWORKs Adult and Career Education Program provider.

PROGRAM SERVICES

LAUSD did not maintain adequate documentation in 15 of the 40 (37%) case files reviewed to support the services provided.

Recommendation:

- 1 LAUSD management ensure that participants' case files adequately support the services provided.

Response:

1. To ensure that participant case files adequately reflect the services provided, LAUSD management has instructed their school site staff to keep a check-off list of all documents that are required for participant files. They will also utilize a tracking sheet of forms requested from DPSS-Case Workers as well as when the forms are received. A regular perusal will show which form requests are still outstanding and the need to follow up. Program Progress Reports will be date logged for each participant. By doing this, sites will be able to anticipate when the next update will be due and ask the participant for the necessary forms rather than waiting for the student to bring them. These corrections should satisfy this finding.

Regular site visits by the LAUSD program manager have been successful in improving case file alignment throughout the various schools. These continued visits will support this correction plan to improve case files. Service to any participant necessitates maintaining accurate case files to support the services provided.

New documentation formats for monthly management records and direct/indirect services have been designed and utilized to ensure accurate participant files. With the use of these new forms, daily services provided and time spent are compared and checked. Discrepancies or errors are easily noticed and rectified. Another way we have ensured that participant files adequately support services provided is by visiting each site 2 times a year to monitor case files. (Supporting evidence provided)

It has been our goal to meet this contract requirement while also offering quality service. The staff members at our 16 school sites have worked hard to provide this quality service in our programs. We continue to make the necessary corrections in order to comply with the terms of our contract while striving to serve the educational needs of your clients. Thank you for the opportunity to serve them.

CASH/REVENUE

LAUSD did not maintain sufficient internal controls over its cash handling procedures. Specifically, LAUSD did not prepare bank reconciliations during Fiscal Year 2007-08 and a County payment was not deposited on time.

Recommendations: LAUSD management ensure:

2. Bank reconciliations are prepared within the required timeframes and appropriately reviewed by management.
3. Cash receipts are deposited within the required timeframes.

Response:

2. Although there are no formal reconciliation statements for fiscal year 2007-08, cash receipts staff compares, on a regular basis, the transactions posted in the District's system to the transactions as they appear on the bank statements for a specific month. These comparisons have been made for each month for fiscal year 2007-08 and certain reconciling entries, such as, returned items, have been posted in the system.

Currently, we are able to prepare the monthly bank reconciliation in a timely manner.

3. The current policy in place for the Cash Receipts Unit is that all checks received in the office before 2:30 pm are deposited the same day. Any checks received after that time is locked in the safe for processing the next business day. Enforcing this policy has been difficult during FY 2007-08 due to staff turnover and the implementation of the new BTS system. Most of the major issues have been resolved at this time and the policy will be strictly enforced.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE

LAUSD did not submit quarterly invoice reconciliations within the required timeframes. Specifically, two reconciliations were 109 days and 17 days late, respectively.

Recommendation

4. LAUSD management ensure that quarterly invoice reconciliations are submitted to DPSS within the required timeframes.

Response

4. The new coordinator for the LAUSD/DACE CalWORKs program, began on July 1, 2007. The job description and report responsibilities that was provided to the new coordinator did not include any mention of quarterly reconciliation reports.

When the need for this report was brought to the coordinator's attention, the two missing reports (July-Sept. 2007 and Oct.-Dec 2007) were completed for submission. That accounts for the 109 days and 17 days late, respectively. The due dates for the quarterly reports have been included in the CalWORKs Coordinator's job description reference and list of responsibilities.

Since this occurrence, all quarterly reports have been submitted on time according to terms of contract.

PAYROLL AND PERSONNEL

LAUSD billed DPSS \$1,575 in unsupported and unallowable payroll expenditures for four (67%) of the six employees reviewed.

Recommendation: LAUSD management:

5. Repay DPSS \$1,575.00.
6. Ensure that payroll expenditures charged to DPSS are supported and based on actual costs.

Response

5. LAUSD/DACE will repay DPSS the stated amount.
6. LAUSD/DACE has developed new documentation formats for monthly management records. These have been designed and utilized to ensure accurate time reporting by CalWORKs contract employees at school sites. With the use of these new forms, daily services provided and time spent are compared and checked with actual time cards and assigned contract hours. Discrepancies or errors are easily noticed and rectified. By tracking the time charges for each day of the month and comparing it to employee's time card we have been able to prevent overcharging of hours to CalWORKs funding line or mischarging of hours under HO; VA or illness codes.

CLOSE-OUT REVIEW

LAUSD's final close out invoices did not reconcile to its financial records for FY 2006-07. LAUSD's financial records carried \$18,952.00 in expenditures from FY 2005-06 into FY 2006-07.

Recommendation- LAUSD Management

7. Repay DPSS \$18,952.
8. Ensure that adequate documentation is maintained to support the program expenditures.

Response:

7. LAUSD/DACE will pay DPSS the said amount.
8. With the new documentation format developed by LAUSD/DACE to ensure accurate time reporting, overcharging of billings to DPSS will be prevented.

PRIOR YEAR FOLLOW-UP

The prior year monitoring report contained one recommendation. As previously indicated, the finding related to recommendation 1 in this report was also noted during the prior monitoring review.

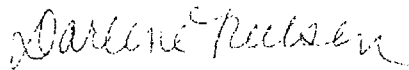
Recommendation

9. LAUSD management implement the outstanding recommendation from the FY 2006-07 report.

Response

9. LAUSD has implemented the recommendation. Refer to response number 1

Respectfully Submitted.



Darlene Neilsen
CalWORKS Coordinator